

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Recycling Market Development Board (Commerce -- Building and Environmental Regulation and UW System)

[LFB Summary: Page 149, #1 and Page 627, #15]

CURRENT LAW

The Recycling Market Development Board (RMDB) was created in 1993 Act 75. The RMDB has the responsibility of promoting the development of markets for recovered materials and maximizing the marketability of these materials. The RMDB is attached to the University of Wisconsin System - Extension for limited administrative purposes. 1995 Act 27 specified that on the later of July 1, 1997, or the effective date of the 1997-99 biennial budget act, the RMDB be attached to the Department of Commerce. The RMDB is appropriated \$7,980,800 SEG from the recycling fund in 1995-96 and \$8,343,000 SEG in 1996-97 in a biennial appropriation for financial assistance. The RMDB is provided \$317,200 SEG in 1995-96 and \$317,200 SEG in 1996-97 for Board operations with 4.0 authorized positions, including an unclassified executive director nominated by the Governor and approved by the Senate. The RMDB annually elects one of the 11 members as the chairperson.

GOVERNOR

Provide \$2,817,600 SEG in 1997-98 and \$2,818,100 SEG in 1998-99 and 4.0 SEG positions from the recycling fund to implement the current law transfer of the RMDB from UW-Extension to Commerce. Funding would include \$2,500,000 in each year for financial assistance and \$317,600 in 1997-98 and \$318,100 in 1998-99 and 4.0 positions annually for program operations. Delete current funding of \$8,660,200 SEG annually and 4.0 positions under UW-Extension. The 4.0 RMDB incumbents would not be transferred to Commerce.

Make the following changes to the RMDB: (a) decrease funding for financial assistance from \$8,343,000 in 1996-97 to \$2,500,000 annually; (b) remove authorization for an unclassified executive director; (c) provide that the Secretary of Commerce or his or her designated representative serve as chairperson of the RMDB; (d) provide that Commerce, rather than the RMDB, provide 4.0 staff positions for the RMDB; (e) provide that all financial assistance provided by the RMDB continue to be awarded by the RMDB but be paid by Commerce; (f) delete the requirement that the RMDB consult with the Council on Recycling when the RMDB annually establishes a list of materials recovered from solid waste for which the RMDB may award financial assistance; (g) specify that Commerce shall utilize the financial assistance appropriation to provide financial assistance awarded by the RMDB and to pay contracts entered into by the RMDB with other persons to accomplish the powers and duties of the RMDB; (h) repeal the requirement that the RMDB contract with UW-Extension for administrative staff services; and (i) repeal the requirement that UW-Extension conduct a study of the future of the RMDB and submit it to the Governor and Legislature by October 1, 1996 (UW-Extension submitted the report on November 15, 1996).

DISCUSSION POINTS

Background

1. The RMDB administers several recycling market development programs, including loans for the startup or expansion of recycling businesses, rebates for a portion of the cost of eligible machinery or equipment that is used in making a product from recoverable materials, research, education, technical assistance, planning grants for recycling businesses, financial assistance to businesses for research and development of products or processes using recovered or recyclable materials and administrative services. Table 1 shows total cumulative financial assistance awarded for each program through April 15, 1997.

TABLE 1

**Recycling Market Development Board, Cumulative
Financial Assistance Awarded by Category
Through April 15, 1997**

<u>Category</u>	<u>Amount Awarded</u>	<u>Percent</u>
Recycling Loans	\$6,768,942	39.0%
Qualified Property Rebates	2,992,807	17.2
Research	1,939,559	11.2
Technical Assistance	1,292,736	7.4
Administrative Services	1,200,506	6.9
General Rebate	1,023,500	5.9
Education	937,438	5.4
Recycling Early Planning Grants	477,872	2.7
Independent Grants	448,689	2.6
Recycling Market Development Grants	184,446	1.1
Recycling Technology Assistance	<u>100,000</u>	<u>0.6</u>
Total	\$17,366,495	100.0%

2. The RMDB has used the financial assistance appropriation for a portion of administrative services, mainly including: (a) hiring a consultant to develop and update the strategic plan (\$127,895 in 1995-97); (b) providing funds to the Department of Commerce to administer the loan portfolio of the former Department of Development (DOD) recycling programs (\$50,000 for one position in 1995-96 and \$122,125 for two positions in 1996-97); (c) hiring a business consultant and finance coordinator to review financial assistance applications (\$209,000 for a contract from July 1, 1995, through November 30, 1996, and \$275,000 from December 2, 1996, through December 1, 1997; and (d) hiring limited-term employee commodity specialists during 1995-97 to specialize in the marketing of various recyclable materials (\$138,380 for three consultants for 15 hours per week at \$55 per hour and two assistants for 20 hours per week at \$15 per hour).

3. The RMDB's administrative appropriation funds the four authorized positions, including the unclassified director, finance specialist, communications specialist and program assistant. In addition, the RMDB employs one limited-term employee program assistant and two students for administrative support. In 1996-97, the RMDB is paying for approximately 11 staff for recycling market development programs, including the four authorized positions, limited-term employees, consultant contract, Commerce staff and student hourly workers.

4. 1995 Act 27 directed the University of Wisconsin-Extension to conduct a study of the feasibility and desirability of transferring the powers and duties of the RMDB to a business entity and to recommend to which agency the RMDB should be attached if the report concluded that the RMDB should continue to exist and that its powers and duties should not be transferred to a business entity. The UW-Extension submitted a report to the Legislature on November 15, 1996. The report did not make a recommendation on whether the RMDB should continue to exist, stating that without the development of aggregate performance measures, any recommendation about the dissolution of the RMDB would be subjective. The report included the following recommendations: (a) indicators which measure aggregate performance of market development efforts should be implemented or adopted (no performance indicators were identified in the report); (b) the executive director should be hired by the RMDB instead of by the Governor; (c) the nature of the market precludes the complete transference of the RMDB's functions to a business entity; (d) education and research functions should continue to be contracted to the UW-Extension Solid and Hazardous Waste Education Center or other sources of information and education; (e) public information functions should be contracted to a private business; (f) evaluating grant and loan applications and monitoring their performance should be contracted to a private entity or another public agency involved in administering loans and grants such as Commerce or WHEDA; and (g) the RMDB should retain policy making functions and oversight of privatized functions.

Funding for Financial Assistance

5. The \$2,500,000 annual financial assistance appropriation in the bill is \$5,843,000 lower than the 1996-97 funding level. The Legislative Council Special Committee on the Future of Recycling made several recommendations related to the RMDB on March 14, 1997, which included a recommendation for \$2,176,500 annually for financial assistance (\$323,500 lower than the Governor's recommendation). Both recommendations would require the RMDB to provide more targeted financial assistance. However, the Legislative Council Special Committee would also provide \$700,000 during 1997-99 for activities currently partially funded through the RMDB, but not included in SB 77, as follows: (a) \$300,000 annually to the RMDB to contract for the expansion of materials exchanges, which are services that post wastes available for reuse and help to connect waste generators with parties that can use the generated waste; and (b) \$400,000 annually to the UW-System for research related to solid waste management.

6. Although not recognized in SB 77, during 1997-99 the RMDB will have available approximately \$3.0 million PR in loan repayments (making approximately \$8.0 million available in the biennium).

7. The RMDB hired a consultant to prepare a strategic plan that was required by 1995 Act 27. A strategic plan was approved in June, 1996, and updated in 1997. The plan includes the RMDB's mission to "be a recognized force in partnership with government, business, and industry to achieve, by 1999, viable and resilient markets for recoverable materials that

sustain Wisconsin's recycling efforts into the next century." The RMDB recommends that funding for financial assistance of \$7,000,000 annually be provided during 1997-99 in order to: (a) allow a higher probability of establishing a self-sustaining loan fund beyond 1999; (b) fund a higher number of materials on the priority funding list than it would fund under SB 77; (c) provide assistance for materials banned from landfills; and (d) fund research tied to business and market development needs. The RMDB's strategic plan update indicates that with financial assistance funding of \$2,500,000 annually: (a) in order to reduce the amount of waste landfilled, the RMDB would focus funding on the development of markets for recycling of non-banned materials such as construction and demolition debris, pulp and paper mill sludge, scrap wood and pallets, foundry process waste and computers; (b) mixed broken glass would be the only banned materials for which funding would be provided; and (c) research and technical assistance would be minimized. Commerce indicates it will review the strategic plan updates within the framework of the funding provided under the bill. It could be argued that the RMDB should focus on the development of markets for banned materials in order to assist Wisconsin communities in finding viable markets for materials required to be recycled.

8. Some have argued that a decrease in financial assistance from the current \$8,343,000 annually to the amount provided under the bill (\$2,500,000 annually) or the recommendations of the Legislative Council Special Committee (\$2,176,500 annually) would provide a more focused and reasonable level of expenditures than current law. Some believe that the almost \$35 million spent for recycling market development under the former DOD (\$17.5 million) and current RMDB (\$17.4 million) programs has not yielded results commensurate with the amount of money spent.

9. It could be argued that maintaining a higher level of financial assistance funding, such as \$7,000,000 annually, would focus funding on a larger number of materials and better develop markets for recyclable materials. The RMDB argues that funding should not be reduced to the levels in the bill because the RMDB has just developed policies and plans and has recently fully staffed the RMDB. Many governments have found a lack of markets for recyclable materials to be a major obstacle to decrease dependence on state grants for operating local recycling programs. Providing \$7,000,000 annually would increase funding in the bill by \$6,000,000 in 1997-99 and would decrease the estimated recycling fund balance on June 30, 1999, from \$12.6 million under SB 77 to \$6.6 million.

Staffing

10. Commerce Secretary McCoshen stated, in a January 8, 1997, letter to the Legislative Council Special Committee on the Future of Recycling, that Commerce would need four positions to implement \$2.5 million in annual RMDB financial assistance, including a loan officer, marketing specialist, planning analyst and program assistant. He also stated that the four positions would be assigned exclusively to the recycling programs and would be recruited with

the background and expertise to assist in the development and implementation of the programs, and that recruitment and hiring would be initiated immediately upon passage of the bill.

11. Commerce officials have recently indicated that: (a) four staff would be sufficient to administer \$2.5 million in annual financial assistance for the RMDB and close out the former DOD recycling loan and rebate portfolio; (b) the current staff could be eligible to apply for the Commerce positions but the Department has made no promises to hire any of the existing staff; (c) it may prefer that the four positions be provided as project rather than permanent since the funding source for the RMDB ends in 1998-99; (d) Commerce is currently reviewing the types of staff skills needed to implement the \$2.5 million of funding provided in the bill; (e) Commerce would consider the recommendations of the RMDB related to modifications of the strategic plan before finalizing types of staff positions provided for the RMDB; (f) Commerce would work with existing RMDB staff to insure that the administrative transition from UW-Extension to Commerce would be as smooth as possible; and (g) Commerce would review existing contracts with the business consultant and strategic planner and agreements with the limited-term commodity specialists to review whether any such administrative services would be needed beyond the four positions provided under the bill. Given the approximately 50% reduction in financial assistance under SB 77 in the 1997-99 biennium, administrative savings should be realized (either in state staff or contracts), and less than 4.0 staff may be needed to provide administrative support to the RMDB.

12. It could be argued that transferring the incumbent staff to Commerce would better ensure continuity of staffing during the coming two years than providing new positions in Commerce, especially because the funding source for the RMDB ends in 1998-99. If the existing unclassified executive director would be transferred to Commerce, the appointing authority could be changed from the Governor to the Secretary of Commerce, which would be consistent with other classified positions in Commerce. However, it could also be argued that the restructuring of the RMDB, decrease in funding and attachment to Commerce makes an unclassified executive director unnecessary. Arguably, the bill's authorization for Commerce to hire new staff is consistent with the way four positions were provided to the RMDB in 1995 Act 27. In the 1995-97 biennial budget act, the one authorized RMDB position was increased to four and one DNR and two DOD positions were deleted that had previously staffed the RMDB.

Powers of the RMDB

13. Examples of boards with policy making functions attached to and staffed by the Department of Commerce are the Development Finance Board and the Rural Economic Development Board. These boards decide which entities should receive a grant or loan and then Commerce actually makes and administers the grant or loan. The two current Commerce Boards are required to elect a chairperson at the beginning of each year but the bill would designate the Secretary of Commerce as the chairperson of the RMDB. While the statutes call for an annual

election, Commerce indicates that current departmental practice is to have the Commerce representative chair each Board attached to Commerce.

14. While SB 77 would delete the requirement that the RMDB consult with the Council on Recycling when the RMDB annually establishes a list of materials recovered from solid waste for which it will provide financial assistance, the Legislative Council Special Committee recommended that the requirement be retained. It could be argued that the Council on Recycling and RMDB should continue to work cooperatively to implement recycling priorities developed by both entities. On the other hand, it could be argued that the RMDB should not have to consult the Council on Recycling because the Council is a recycling policy advisory council, primarily to DNR, while the RMDB has a more specialized focus in the financial aspects of recycling market development.

15. While the bill retains the current limitation that the RMDB may not expend more than 10% of its financial assistance funds available in a biennium for contracts with and financial assistance to responsible units and other local units of government for recycling market development activities, the Legislative Council Special Committee recommended repealing the limitation. The Special Committee's recommendation would allow the RMDB to expand the proportion of funds awarded to responsible units (thus less financial assistance would be available to businesses). However, it appears that, to date, the 10% limit has not prevented any responsible units from receiving funding from the RMDB because as of April 15, 1997, 1% of financial assistance was awarded to responsible units and other units of government.

16. The Legislative Council Special Committee made two recommendations related to RMDB priorities that are not included in the bill. They are: (a) specify that the RMDB's programs focus on the reuse of materials recovered from solid waste as well as on the recycling of these materials (which is current practice); and (b) require that the RMDB's priority list of materials for which the RMDB may provide assistance give priority to materials that, if not recovered, would be disposed of in landfills. The intent of the later action is to divert materials from landfills rather than fund projects where there is alternative disposal technology such as landspreading of whey. It would also encourage the funding of non-banned over banned materials, which arguably is consistent with the expansion of authority to fund non-banned materials that was provided in 1995 Act 15.

17. In the study of the future of various boards required by 1995 Act 27, the Lieutenant Governor recommended that the RMDB sunset on April 1, 1999, to coincide with the current law elimination of the recycling surcharge for tax years that end after April 1, 1999. (However, it should be noted that surcharge revenues would continue to be collected during the remainder of 1998-99 as businesses submit their income tax returns.)

18. It could be argued that the RMDB could be repealed at the end of 1997-99 because, under current law, there will be no new revenue available after the recycling surcharge ends. There would continue to be loan repayments received from previously made loans for up

to ten years after the end of the biennium. The sunset on the Board could be extended beyond 1999 in order to continue to award financial assistance through a revolving loan fund. Alternatively, the program revenue loan repayments appropriation could be retained in Commerce, and Commerce could be provided authority to use the loan repayments for recycling market development assistance.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$2,817,600 SEG in 1997-98 and \$2,818,100 SEG in 1998-99 and 4.0 SEG positions from the recycling fund to implement the current law transfer of the RMDB from UW-Extension to Commerce and to make the following changes to the RMDB: (a) decrease funding for financial assistance from \$8,343,000 in 1996-97 to \$2,500,000 annually; (b) remove authorization for an unclassified executive director; (c) provide that the Secretary of Commerce or his or her designated representative serve as chairperson of the RMDB; (d) provide that Commerce, rather than the RMDB, provide 4.0 staff positions for the RMDB; (e) provide that all financial assistance provided by the RMDB continue to be awarded by the RMDB but be paid by Commerce; (f) delete the requirement that the RMDB consult with the Council on Recycling; (g) specify that Commerce shall utilize the financial assistance appropriation to provide financial assistance awarded by the RMDB and to pay contracts entered into by the RMDB with other persons to accomplish the powers and duties of the RMDB; (h) repeal the requirement that the RMDB contract with UW-Extension for administrative staff services; and (i) repeal the obsolete reference to a requirement that UW-Extension conduct a study by October 1, 1996. Further, provide \$1,500,000 PR annually from loan repayments for financial assistance.

<u>Alternative 1</u>	<u>PR</u>
1997-99 FUNDING (Change to Bill)	\$3,000,000

2. Modify the Governor's recommendation to provide one of the following changes in funding for the RMDB:

a. Consistent with the Legislative Council Special Committee recommendations, decrease funding for financial assistance by \$323,500 annually from \$2,500,000 to \$2,176,500 (\$7,353,000 would be available in the biennium including revenues from loan repayments).

<u>Alternative 2a</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	\$3,000,000	- \$647,000	\$2,353,000

b. Increase funding for financial assistance by \$3,000,000 (from \$2,500,000 to \$5,500,000) in each year (along with loan repayments of \$1.5 million PR annually this would fund the RMDB request of \$7 million annually).

<u>Alternative 2b</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	\$3,000,000	\$6,000,000	\$9,000,000

3. Modify the Governor's recommendation related to staffing in any of the following ways:

a. Provide the 4.0 positions as project (instead of permanent) with an end date of June 30, 1999.

<u>Alternative 2b</u>	<u>SEG</u>
1998-99 POSITIONS (Change to Bill)	- 4.00

b. Provide 2.0 project positions (rather than 4.0) to reflect the reduced activity of the RMDB in 1997-99. Decrease funding by \$101,700 annually.

<u>Alternative 3b</u>	<u>SEG</u>
1997-99 FUNDING (Change to Bill)	- \$203,400
1998-99 POSITIONS (Change to Bill)	- 4.00

c. Transfer the four existing staff from UW-Extension to Commerce with all of the rights and privileges of their permanent position status.

d. Retain authorization of the executive director as an unclassified position, but specify that the position would be appointed by the Secretary of Commerce rather than the Governor.

4. Modify the Governor's recommendation to include one or more of the following changes to the duties and authority of the RMDB:

a. Maintain the current law requirement that the RMDB annually elect a member to be chair of the RMDB.

b. Maintain the current law requirement that the RMDB consult with the Council on Recycling when the RMDB annually establishes a list of materials recovered from solid waste for which the RMDB may award financial assistance.

c. Specify that the RMDB's programs focus on the reuse of materials recovered from solid waste as well as on the recycling of these materials.

d. Repeal the limitation that the RMDB may not expend more than 10% of its financial assistance funds available in a biennium for contracts with and financial assistance to responsible units and other local units of government.

e. Require that the RMDB's priority list of materials for which the RMDB may provide assistance give priority to materials that, if not recovered, would be disposed in landfills.

f. Require the RMDB's priority list of materials for which the RMDB may provide assistance give priority to recyclable materials that are banned from landfills and that would support community recycling efforts.

g. Direct Commerce to use the RMDB's existing strategic plan to guide the activities of the RMDB.

5. In addition to any of the above alternatives, provide one of the following sunsets for the RMDB. In addition, repeal the SEG appropriations, duties and authority of the RMDB as of that date. Retain the PR loan repayments appropriation and authorize Commerce to utilize the appropriation after the sunset date, to provide financial assistance for recycling market development.

Provide a sunset date of June 30, 1999.

MO# 2a

Alternative 5a

SEG

1998-99 POSITIONS (Change to Bill)

- 4.00

Provide a sunset date of June 30, 2001.

ra Bonderud

2 BURKE	<input checked="" type="radio"/>	N	A
/ DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

MO# 3a,d

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
/ JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS 0

Commerce -- Building and Environmental Regulation and L

MO# 4 b, c, f

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
1 OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

MO# 4 a

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
1 COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	Y	<input checked="" type="radio"/>	A
OURADA	Y	<input checked="" type="radio"/>	A
HARSDORF	Y	<input checked="" type="radio"/>	A
ALBERS	Y	<input checked="" type="radio"/>	A
GARD	Y	<input checked="" type="radio"/>	A
KAUFERT	Y	<input checked="" type="radio"/>	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 9 NO 7 ABS 0

MO# 5 b

2 BURKE	<input checked="" type="radio"/>	N	A
1 DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	Y	<input checked="" type="radio"/>	A
JENSEN	Y	<input checked="" type="radio"/>	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	Y	<input checked="" type="radio"/>	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 13 NO 3 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Recycling Fund Transfer to General Fund (DNR -- Air, Waste and Contaminated Land and General Fund Taxes)

[LFB Summary: Page 428, #28 and Page 32, #16]

CURRENT LAW

No provision.

GOVERNOR

Transfer \$3,850,000 from the recycling fund to the general fund in 1997-98.

DISCUSSION POINTS

1. The initial recycling act, 1989 Act 335, transferred \$29,700,000 from the general fund to the recycling fund. The Act did not require that future amounts be transferred from the recycling fund to the general fund.
2. A total of \$25,850,000 has been transferred from the recycling fund to the general fund, including \$4,750,000 in 1991-92 and \$21,100,000 in 1995-96. Some have viewed the transfers from the recycling fund to the general fund as "repayments" of the original "loan" from the general fund. Others have viewed the initial transfer from the general fund as one-time start-up funding that was not intended to be repaid.

3. Under SB 77, the cumulative transfers from the recycling fund to the general fund would be \$29,700,000, which equals the amount of the initial transfer from the general fund.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to transfer \$3,850,000 from the recycling fund to the general fund.
2. Maintain current law.

<u>Alternative 2</u>	<u>GPR-REV</u>	<u>SEG-REV</u>
1997-99 REVENUE (Change to Bill)	- \$3,850,000	\$3,850,000

Prepared by: Kendra Bonderud

MO# Alt 2

BURKE	<u>(X)</u>	N	A
DECKER	<u>(Y)</u>	N	A
GEORGE	<u>(Y)</u>	N	A
JAUCH	<u>(Y)</u>	N	A
WINEKE	<u>(Y)</u>	N	A
SHIBILSKI	<u>(Y)</u>	N	A
COWLES	Y	<u>(N)</u>	A
PANZER	Y	<u>(N)</u>	A
JENSEN	Y	<u>(N)</u>	A
OURADA	Y	<u>(N)</u>	A
HARSDORF	Y	<u>(N)</u>	A
ALBERS	Y	<u>(N)</u>	A
GARD	Y	<u>(N)</u>	A
KAUFERT	Y	<u>(N)</u>	A
LINTON	<u>(Y)</u>	N	A
COGGS	<u>(Y)</u>	N	A

AYE 8 NO 8 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Municipal and County Recycling Grant Calculation (Natural Resources -- Air, Waste and Contaminated Land)

[LFB Summary: Page 428, #29]

CURRENT LAW

The municipal and county recycling grant program provides financial assistance to responsible units of government for a portion of eligible recycling expenses incurred from July 1, 1990, through December 31, 1999. The calendar year 1997 grant calculation formula provides a grant of either 66% of the difference between eligible recycling expenses and avoided disposal costs or \$8 times the population of the responsible unit of government, whichever is less. The grant calculation formula changes in 1998 and 1999 so that yard waste costs and capital costs are funded at 50% in 1998 and 25% in 1999 (instead of 66% in 1997) and other costs of planning and operating the recycling program would continue to be funded at 66% in 1998 and reduced to 50% in 1999. In 1997, the grant calculation formula subtracts avoided disposal costs from eligible costs before multiplying by 66%. In 1998 and 1999 the current formula subtracts avoided disposal costs from eligible costs after multiplying by 66% (in 1998) or 50% (in 1999) of other program costs. Avoided disposal costs are the costs which are not incurred by the responsible unit because materials are recycled rather than disposed of in a landfill or incinerator. As required by law, funding for grants is \$29.2 million in 1996-97 and is reduced to \$24 million in 1997-98 and \$17 million in 1998-99.

GOVERNOR

Continue the same municipal and county recycling grant calculation formula for calendar years 1998 and 1999 as currently exists for calendar year 1997. The bill would retain the: (a)

calculation percentage of 66%; and (b) subtraction of avoided disposal costs from eligible costs before multiplying by 66%. No additional funding would be provided and the current proration requirements would apply.

DISCUSSION POINTS

1. The current municipal and county recycling grant formula has been used since calendar year 1993. In 1992, the formula was the same except that the eligible grant was the lesser of the formula calculation or \$6 per capita (instead of the \$8 per capita for subsequent years).

2. It is difficult to determine how the eligible grant would change for any specific local government. In general, if all responsible units would incur the same eligible recycling costs in 1998 and 1999 as they do in 1997, they would all have the same eligible grant as in 1997. However, changes in recycling program costs in various communities and the scheduled decreases in the total grant amount will impact the amount of a local government's final grant.

3. The scheduled formula change under current law that decreases the percentage of eligible capital costs would place more emphasis on funding operational costs of recycling programs rather than start-up capital costs. However, DNR indicates that the scheduled change would penalize grantees who own their own collection equipment and processing facilities and would benefit those that have contracted for services instead of purchasing equipment. This is because the percent of allowable capital equipment expenses would decrease while the percent of allowable contracted services would stay the same.

4. DNR indicates that the scheduled formula change to decrease funding for yard waste costs would require development of a more complex application so the Department could make separate calculations of which costs are allocable to yard waste programs and which are allocable to recycling programs. Currently, grantees do not identify yard waste costs separately when reporting eligible recycling costs.

5. The scheduled formula change that subtracts avoided disposal costs after multiplying by 66% (instead of before) would reduce the grant for responsible units that manage garbage collection in addition to collecting recyclables. Responsible units that do not collect non-recyclable solid waste would not be affected by the scheduled change.

6. The bill's retention of the 1997 grant formula would result in a higher amount of eligible grant than under current law in 1998 and 1999 for some of the 1,016 recycling grant recipients. This would include responsible units who: (a) own their own collection equipment and/or processing facilities (278 responsible units, according to 1995 reports submitted by grant recipients); (b) provide collection of solid waste other than recyclables, and thus have avoided disposal costs (826 responsible unit grantees in 1997); or (c) incur yard waste costs (349

responsible unit grantees in 1997). However, since state funding remains at current law levels under the bill, a higher overall eligible award will result in a greater proration of grants.

7. Under the current law change in formula, DNR will have to make changes to the already complicated application forms, reprogram computers, revise grant award materials, educate responsible units and collect information about capital costs that is not currently kept in a detailed manner.

8. Under the bill, the scheduled changes would be in effect for the final two years of the grant program. The two years are scheduled to provide decreased funding for grantees. It could be argued that the formula used during the last six years of the program should not be changed in the final two years. Alternatively, it could be argued that the program should remain structured as it was created.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to continue the same recycling grant formula in 1998 and 1999 as currently exists for calendar year 1997.

2. Maintain current law.

Prepared by: Kendra Bonderud

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE ____ NO ____ ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Recycling Staff Conversion (Natural Resources -- Air, Waste and Contaminated Land)

[LFB Summary: Page 429, #30]

CURRENT LAW

In 1996-97, the segregated recycling fund provides funding in DNR for 24.5 permanent and 1.0 project position to administer state recycling laws, provide technical assistance, information and education and administer recycling grant programs. In 1996-97, DNR is also provided \$177,600 GPR and 3.0 GPR positions for recycling administration and enforcement activities.

GOVERNOR

Convert \$73,200 and 1.0 waste manager position annually in the Bureau of Waste Management from GPR to recycling fund SEG.

DISCUSSION POINTS

1. The GPR position that would be converted from GPR to SEG under the bill provides policy coordination for DNR's recycling programs.
2. Under the bill, supplies and services funds of \$12,000 (\$6,000 annually) related to the position would not be converted from GPR to SEG.

3. One of the remaining two DNR GPR-funded recycling positions performs management information activities related to recycling grants and effective recycling programs in the Bureau of Waste Management. The other position performs recycling enforcement in the Division of Enforcement and Science, Bureau of Law Enforcement, and is provided by allocating a portion of the time of environmental wardens throughout the state.

4. All three of DNR's GPR-funded recycling positions could be converted from GPR to SEG recycling fund instead of the one position identified in the bill. An additional \$115,000 and 2.0 positions annually could be converted from GPR to recycling fund SEG (\$48,000 annually in the Bureau of Waste Management and \$67,000 annually in the Bureau of Law Enforcement). The reduction in GPR costs would be \$230,000 during the 1997-99 biennium.

5. In addition to DNR's allocation of 3.0 GPR positions to recycling activities, the bill continues GPR funding in 1997-99 for recycling activities in the University of Wisconsin System and Department of Administration (DOA). Funding for these activities could be converted from GPR to recycling fund SEG for a reduction in GPR costs of \$622,000 during the 1997-99 biennium. For the UW - System, GPR savings would be \$380,000 during 1997-99, including: (a) \$168,600 annually to continue the 1996-97 funding level for Solid Waste Research Council grants for research into alternative methods of solid waste management; and (b) \$21,200 in 1997-98 and \$21,600 in 1998-99 to convert 0.5 GPR position at solid waste experiment centers. For DOA, GPR savings would be \$242,000 during 1997-99 (\$121,000 annually) to convert 2.5 GPR positions that administer recycling procurement specifications and provide information about products made from recycled material for purchase by state and local governmental agencies.

6. Under the bill, the unencumbered recycling fund balance will be approximately \$12.6 million at the end of 1998-99. If additional recycling activities in DNR, UW - System and DOA are converted from GPR to recycling fund SEG, the unencumbered recycling fund balance would decrease to \$11.7 million at the end of 1998-99.

7. The majority of state solid waste recycling and waste reduction programs are funded from the segregated recycling fund. Use of GPR for a portion of state agency recycling activities has been supported as a way of using statewide revenues other than the business recycling surcharge revenues of the recycling fund for statewide recycling program administration. Further, GPR provides a permanent source for ongoing activities.

8. Currently, the recycling surcharge which funds the recycling fund will end for tax years that end after April 1, 1999. Further, municipal recycling grants will not be provided after 1999 (fiscal year 1998-99). Since the recycling surcharge, investment income and repayments from loans made by the former Department of Development are the only sources of revenue for the recycling fund, revenues will not be sufficient to fund ongoing recycling activities after 1998-99.

9. Conversion of additional GPR-funded recycling activities in DNR, UW - System and DOA to SEG recycling fund will reduce GPR costs in 1997-99 by \$864,000 but the conversion would not allow, absent subsequent legislation, for the provision of ongoing statewide recycling activities.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to convert \$73,200 and 1.0 position annually from GPR to recycling fund SEG.

<u>Alternative 1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	- \$146,400	\$146,400	\$0
[Change to Bill]	\$0	\$0	\$0]
1998-99 POSITIONS (Change to Base)	- 1.00	1.00	0.00
[Change to Bill]	0.00	0.00	0.00]

2. In addition to approving the Governor's recommendation to convert \$73,200 and 1.0 position annually from GPR to recycling fund SEG, convert an additional \$6,000 annually from GPR to the recycling fund for supplies and services costs.

<u>Alternative 2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	- \$158,400	\$148,400	\$0
[Change to Bill]	- \$12,000	\$12,000	\$0]
1998-99 POSITIONS (Change to Base)	- 1.00	1.00	0.00
[Change to Bill]	0.00	0.00	0.00]

3. In addition to Alternative 1 or 2, convert any or all of the following GPR funding for recycling activities to recycling fund SEG:

- a. In DNR, convert an additional \$115,000 and 2.0 positions annually from GPR to SEG.

<u>Alternative 3a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$230,000	\$230,000	\$0
[Change to Bill]	- \$230,000	\$230,000	\$0]
1998-99 POSITIONS (Change to Bill)	- 2.00	2.00	0.00
[Change to Bill]	- 2.00	2.00	0.00]

- b. In the UW - System, convert \$189,800 in 1997-98 and \$190,200 in 1998-99 and 0.5 position annually from GPR to SEG for research into alternative methods of solid waste management and for solid waste experiment centers.

<u>Alternative 3b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$380,000	\$380,000	\$0
1998-99 POSITIONS (Change to Bill)	- 0.50	0.50	0.00

- c. In DOA, convert \$121,000 annually and 2.5 positions from GPR to SEG to administer recycling procurement specifications and provide information about products made from recycled material for purchase by state and local governmental agencies.

<u>Alternative 3c</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$242,000	\$242,000	\$0
1998-99 POSITIONS (Change to Bill)	- 2.50	2.50	0.00

4. Maintain current law.

<u>Alternative 4</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$0	\$0
[Change to Bill]	\$146,400	- \$146,400	\$0]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	1.00	- 1.00	0.00]

Prepared by: Kendra Bonderud

MO# Alt. 2

3a,b,c

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0